

# **TIDEWATER**

## **UTILITIES, INC.**

*"Southern Delaware's Premier Water Company Since 1964"*

May 20, 2016

Via DelaFile Submission

Ms. Donna Nickerson  
Secretary  
Public Service Commission of Delaware  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, DE 19904

Re: **In the Matter of the Application of Tidewater Utilities, Inc. for  
the Approval of the Semi-Annual Adjustment to the  
Distribution System Improvement Charge (DSIC) Pursuant  
to 26 Del. C. § 314 (b) (5)**

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Dear Ms. Nickerson:

Tidewater Utilities, Inc. has submitted an application for an adjustment to the Distribution System Improvement Charge pursuant to 26 Del.C. § 314 (b) (5) through the Delafile electronic system. A payment in the amount of \$100 to satisfy the required filing fee was also submitted through the DelaFile system.

Please have this docketed as appropriate pursuant to the Rules.

If you have any question regarding this application, please contact me at (732) 638-7502.

Sincerely,



A. Bruce O'Connor  
Treasurer

Enclosures

cc: David Bonar, Delaware Public Advocate (Electronic Delivery)  
Robert Howatt (Electronic Delivery)  
Connie McDowell (Electronic Delivery)

**NOTE:** House Bill 681, enacted into law 7/13/98, authorizes the Commission to recover the cost of time spent by in-house staff to process all filings initiated after the date of enactment. You may be required to reimburse the Commission for staff time.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF :  
TIDEWATER UTILITIES, INC. FOR THE :  
APPROVAL OF THE SEMI-ANNUAL :  
ADJUSTMENT TO THE DISTRIBUTION :  
SYSTEM IMPROVEMENT CHARGE ("DSIC") :  
EFFECTIVE JULY 1, 2016 PURSUANT TO :  
DEL. C. § 314 (b) (5) :

Docket No. 16-\_\_\_\_\_

Tidewater Utilities, Inc. ("Tidewater") a public water utility, regulated by the Delaware Public Service Commission ("Commission"), hereby petitions the Commission pursuant to 26 Del. C. § 314 (b) (5), for permission to reset its Distribution System Improvement Charge ("DSIC") effective July 1, 2016, which is no less than thirty (30) days from the date of this Application.

1. On November 19, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2016. Tidewater's application to reset the DSIC rate to 1.06% received Commission approval on December 15, 2015, by Order No. 8833, PSC Docket No. 15-1576.
2. On May 21, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2015. Tidewater's application to reset the DSIC rate to 0.37% received Commission approval on June 2, 2015, by Order No. 8747, PSC Docket No. 15-1000.

3. On November 14, 2014, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2014. Tidewater's application to reset the DSIC rate to 0.31% received Commission approval on December 16, 2014, by Order No. 8691, PSC Docket No. 15-0525.
4. Pursuant to 26 Del. C. § 314 (b) (5) Tidewater hereby requests Commission permission to reset its DSIC rate. The aforementioned section states that the DSIC rate shall be adjusted semi-annually for eligible distribution system improvements placed in service during the six month period ending two months prior to the effective date of changes in the DSIC rate. In this filing, Tidewater has included improvements placed in service for the six month period November 1, 2015 through April 30, 2016.
5. Attached are Schedules No. 1, 1A, 1B and No. 2, which supports the development of the DSIC rate.
6. Also attached hereto as Schedule No. 3 is a draft Tariff Schedule of Rates, which reflects the proposed reset to the DSIC rate as July 1, 2016, arising in this Petition.
7. The proposed Tidewater customer rate adjustment, reflected by this application, is 1.89% and is expected to result in additional revenues of approximately \$271,806. The requested rate reset is less than a 5% increase in current rates of Tidewater customers and, as such, satisfies the requirements of 26 Del. C. § 314 (b) (7). Customers will be notified of this change with a statement that shall be printed on the first bill following the effective date of this change. The statement will indicate that the DSIC rate is 1.89% effective July 1, 2016.
8. Tidewater is prepared to provide the Commission with all reasonable information requested by the Commission with respect to this filing.

9. The utility contact person responsible for this Application is the signatory shown below.
10. The Division of Public Advocate has been served with a copy of this filing.

WHEREFORE, in light of the foregoing, Tidewater respectfully requests that the Commission enter an Order, pursuant to 26 Del. C. § 314 (b) (5), approving a semi-annual rate adjustment to the Distribution System Improvement Charge.

Respectfully Submitted,

TIDEWATER UTILITIES, INC.



A. Bruce O'Connor

Treasurer

C/O Middlesex Water Company

1500 Ronson Road

Iselin, NJ 08830-3020

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Facsimile: 732-218-1126

E-mail: aboconnor@middlesexwater.com

Date: May 20, 2016

Tidewater Utilities, Inc.  
May 2016 DSIC Application to the PSC

**Schedule 1: Development Of Rate And Supporting Data**

	PSC Docket No. 14-0525 07/01/14 to 10/31/14	PSC Docket No. 15-1000 11/01/14 to 04/30/15	PSC Docket No. 15-1576 05/01/15 to 10/31/15	Current Filing 11/01/15 to 4/30/16	Current Filing DSIC Total
1 Net Utility Plant Additions (Schedule 2 and Schedule 2A)	\$ 321,189	\$ 353,454	\$ 1,284,391	\$ 1,514,086	\$ 3,473,119
2 Net Accumulated Depreciation Reserve Change (Schedule 2A)	43,432	41,481	(9,521)	146,547	\$ 221,939
3 Net Change in Rate Base (Sum of Lines 1 and 2)	\$ 364,621	\$ 394,935	1,274,870	\$ 1,660,633	\$ 3,695,059
4 Pre-Tax Rate of Return (Schedule 1A)	13.18%	13.18%	13.18%	13.18%	13.18%
5 Semi-Annual Pre-Tax Rate of Return (Line 4 divided by 2)	6.59%	6.59%	6.59%	6.59%	6.59%
6 Semi-Annual Investment Cost Recovery (Line 3 multiplied by Line 5)	\$ 24,029	\$ 26,026	\$ 84,014	\$ 109,436	\$ 243,505
7 Semi-Annual Depreciation Expense (Schedule 2A)	\$ 2,368	\$ 2,577	\$ 9,521	\$ 18,049	\$ 32,515
8 Semi-Annual DSIC Revenue Requirement (Sum of Lines 6 and 7)	\$ 26,397	<u>\$ 28,603</u>	<u>\$ 93,535</u>	\$ 127,485	\$ 276,020
8A (Over)/Under Collected DSIC Revenue (PSC Docket No. 12-525, Schedule 1B)	10,294				
8B (Over)/Under Collected DSIC Revenue (Report Filing #16-TI-0787-NDS, Schedule 1B)				(4,214)	(4,214)
9 Total Semi-Annual DSIC Revenue Requirement (Sum of Lines 8, 8A and 8B)	<u>\$ 36,691</u>			<u>\$ 123,271</u>	<u>\$ 271,806</u>
10 Semi-Annual Projected Water Service Revenues (7/1/16-12/31/16)					14,400,000
11 Projected DSIC Rate Increase Percentage (Line 8 divided by Line 10)					1.89%
12 Maximum limitation in a twelve month period					5.00%
13 Overall limitation					7.50%

Tidewater Utilities, Inc.  
May 2016 DSIC Application to the PSC

**Schedule 1A: Capital Structure Approved In Most Recent  
General/Base Rate Case**

Capital Structure Utilized for Rate Setting in Order No. 8611, PSC Docket No. 13-466

	<u>%</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Revenue Multiplier</u>	<u>Pre-Tax Cost</u>
Cost of Debt	49.04%	6.01%	2.95%	1.664525	4.91%
Common Equity	50.96%	9.75%	4.97%	1.664525	8.27%
	<u>100.00%</u>		<u>7.92%</u>		<u>13.18%</u>

Tidewater Utilities, Inc.  
May 2015 DSIC Application to the PSC

**Schedule 1B: Over/Under Collections From Previous DSIC Filings**

<u>Docket No.</u>	<u>(Over)/Under Collection</u>
14-0525	(2,558)
15-1000	(1,656)
Total	<u>(4,214) (8B)</u>

(8B) Report Filing #16-TI-0787-NDS, Dated 05/18/2016

Tidewater Utilities, Inc.  
May 2016 DSIC Application to the PSC

**Schedule 2: Projects Placed Into Service And/Or Retired**

Utility Plant In Service from November 1, 2015 to April 30, 2016

<u>Project Name</u>	<u>Description of Project</u>	<u>TUI Account #</u>	<u>Amount Applied for DSIC</u>	<u>Retirement Costs</u>
1. Camelot Water Main Replacement	Replacement of existing water distribution system at Camelot	214-305	\$ 1,012,283	\$ 154,986
2. Rt. 26 Water Main	Installation of replacement water main on Rt. 26	206-334	\$ 296,280	
3. Meter Replacement	Replacement of meters which have reached their useful life.	346	\$ 370,119	\$ 9,610
	Total		<u>\$ 1,678,682</u>	<u>\$ 164,596</u>
	Net Total		<u><u>\$ 1,514,086</u></u>	

Tidewater Utilities, Inc.  
May 2016 DSIC Application to the PSC

**Schedule 2A: Net Accumulated Depreciation**

Utility Plant In Service from November 1, 2015 to April 30, 2016

Net Additions to Plant and Depreciation Expense

	NARUC		Depreciation	Depreciation
	A/C #	Amount	Rate	Amount
Wells & Springs	314	\$ -	2.37%	\$ -
Pumping Structures & Improvements	321	-	3.12%	-
Electric Pumping Equipment	325	-	3.17%	-
Water Treatment Equipment	332	-	2.89%	-
Storage Facilities	342	-	1.61%	-
Mains	343	825,735	1.43%	11,808
Services	345	248,240	2.12%	5,263
Meters	346	386,309	4.63%	17,886
Meter Installations	347	-	3.49%	-
Hydrants	348	53,802	2.12%	1,141
Total		<u>\$ 1,514,086</u> (1)		<u>\$ 36,098</u>
Semi-Annual Depreciation Expense				<u>\$ 18,049</u>

(1) - Net of associated retirements. See Schedule 2.

Accumulated Depreciation Reserve Change

Semi-Annual Depreciation Expense (above)	\$ (18,049)
Retirements (See Schedule 2)	<u>164,596</u>
Total	<u>\$ 146,547</u>

TIDEWATER UTILITIES, INC.

P.S.C. DEL. NO. 6

TWENTY-~~FOURTH~~<sup>THIRD</sup> REVISED PAGE NO. 25

CANCELING

TWENTY-~~THIRD~~<sup>SECOND</sup> REVISED PAGE NO. 25~~MAY~~NOVEMBER 23~~49~~<sup>19</sup>, 2016~~5~~EFFECTIVE DATE: ~~JULY~~JANUARY 1, 2016

## 7. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE:

In addition to the net charges provided for in items 1. and 2. of this Tariff Schedule of Rates, a charge of ~~1.89~~<sup>0.06</sup>% will apply to all charges for bills rendered on or after ~~July~~January 1, 2016.

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

## 8. BULK WATER CONTRACT SALES

- a) Ocean View – Under contract, the Town of Ocean View is charged \$4.8024 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Town of Ocean View water distribution system.
- b) Dover Air Force Base – Off Base Housing – Under contract, Dover Air Force Base Housing – Eagle Meadows/Heights is charged \$12.2609 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Eagles Heights and Eagle Meadows Housing subdivision water distribution systems.
- c) Southern Shores – Under contract, Southern Shores Water Company is charged \$5.6116 per thousand gallons of consumption registered through the meter(s) at the interconnection with Southern Shores water distribution systems.